

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
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R 090920Z JUN 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 1624
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY VIENNA
AMCONSUL IBADAN
AMCONSUL KADUNA

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USOECN PARIS

E.O. 11652: N/A
TAGS: EFIN, NI
SUBJECT: STATUS OF NIGERIAN FOREIGN EXCHANGE RESERVES

REF: LAGOS 6177

1. EMBOFF DISCUSSED STATUS NIGERIA'S FOREIGN EXCHANGE RESERVES
WITH CENTRAL BANK'S ACTING DIRECTOR OF RESEARCH ONONYE WHO STATED
THAT MEDIA MISINTERPRETED RESEARCH DIRECTOR FALEGAN'S MAY 27
NEWS BRIEFING (REFTEL). ACCORDING TO ONONYE, NAIRA 2,513 MILLION
(DOLLARS 3,845 MILLION) FIGURE CITED BY FALEGAN AS RESERVE LEVEL
AS OF MAY 26, 1977 WAS ONLY CENTRAL BANK RESERVES NOT TOTAL
FOREIGN EXCHANGE RESERVES. ADDITIONAL RESERVES HELD BY GOVERNMENT
AND NET COMMERCIAL BANK HOLDINGS BROUGHT MAY 26 TOTAL UP TO ABOUT
NAIRA 2,800 MILLION (APPROXIMATELY DOLLARS 4,300 MILLION). ONONYE
WAS QUICK TO ADD THAT EVEN THIS FIGURE WAS MISLEADING BECAUSE
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CENTRAL BANK HAD SHIFTED SOME RESERVES INTO LESS LIQUID, LONGER
TERM ASSETS. ALSO CENTRAL BANK TENDED TO RECEIVE MOST RESERVE
INFLOWS TOWARD END OF MONTH, BUT RESERVE OUTFLOWS OCCURRED
THROUGHOUT MONTH. THUS MAY 26 DATA, WHILE ACCURATE, GIVES A DISTORTED
PICTURE OF NIGERIA'S RESERVES POSITION. MORE REALISTIC CENTRAL
BANK ESTIMATE FOR MAY 31 PUTS TOTAL RESERVES BETWEEN NAIRA 3,000 -
3,100 MILLION (DOLLARS 4,506 - 4,659 MILLION).

2. COMMENT: ONONYE'S FIGURES MAKE CREDIBLE FALEGAN'S CLAIM THAT NIGERIA'S AVERAGE DAILY FOREIGN EXCHANGE DEFICIT THIS YEAR IS NAIRA 1.8 MILLION (DOLLARS 2.86 MILLION). SUCH DEFICIT WOULD HAVE DROPPED RESERVES FROM DECEMBER 31, 1976 LEVEL OF NAIRA 3,481 (DOLLARS 5,334 MILLION) TO NAIRA 3,210 MILLION BY MAY 31, 1977 (DOLLARS 4,927 MILLION). REMAINING NAIRA 100 - 200 DROP TO CLAIMED MAY 31 TOTAL OF NAIRA 3,000 - 3,100 MILLION (DOLLARS 4,505 - 4,659 MILLION) COULD HAVE BEEN ACCOMPLISHED BY TRANSFERS INTO LONGER TERM ASSETS.

3. ONONYE WAS RELUCTANT TO ELABORATE ON ASSET TRANSFERS AND ON DAY-TO-DAY EXCHANGE FLOWS. LIKELY THAT IMF TEAM WHICH RECENTLY VISITED LAGOS HAD ACCESS TO SUCH INFORMATION. MAY BE HELPFUL IF DEPARTMENT DEBRIEFS TEAM AND INFORMS EMBASSY OF RESULTS.
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